

**State CIO  
Agency IT Plans  
2007 – 2009 Biennium**

**Template for Agency IT Plans**

**Department of Revenue**

**October 2, 2006**

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# **Chapter 1 - Departmental/Agency Strategic Business Initiatives and Major Business Requirements**

In October 2005, the Secretary of Revenue issued a memorandum to all employees of the Department stating that moving forward, turning DOR into an e-business organization would be the focus of all the agency's initiatives. In March, 2006, the Department completed its E-Business Strategy document. The Department's Vision 2010 Plan along with the E-Business Strategy will be the basis for all IT initiatives for the coming biennium. The agency currently has a planning and design project underway to develop the implementation plan for the E-Business Strategy. Copies of the E-Business Strategic Plan and the Vision 2010 Plan are attached for reference.

The E-business Strategy lays out 11 strategies that will provide the basis for the initiatives undertaken by the department in support of our customer base. They are:

- Enable authenticated users to manage tax accounts electronically, and make the process as easy as possible.
- Provide secure electronic communications and assistance for taxpayers.
- Expand e-pay and e-file services to include all schedules and forms, and promote ease of use.
- Promote the transition to e-Business and make customers aware of e-services designed for them through aggressive marketing and education.
- Enhance e-services for Internet users who want to obtain forms and fill them out online.
- Enhance educational services through the web.
- Collaborate with public and private sectors to provide products and services designed for small businesses using a variety of delivery methods.
- Pursue joint ventures, engaging partners early in the process to learn from them and to build solutions that exceed customer expectations.
- Maintain traditional as well as e-Business service delivery methods.
- Continuously improve our website (including design, navigation, and search functions) to make it more user-friendly based on customer input.
- Enhance the IVR, adding tax account management and online filing and payment functions as practical within the limits of telephone transactions.

Additionally, the department has four internal strategies that have an impact on IT. They are:

- With strong leadership support, reengineer business processes and ensure an appropriate organizational structure.
- Enhance knowledge management capabilities.
- Expand online support services for employees.
- Use a collaborative process to upgrade and integrate systems.

## Chapter 2 - Requirements for Transitioning Existing IT Activities/Resources

### Current projects

The department currently has five registered projects underway,

- a. E-Business Planning and Design Project,
- b. ACES/OFP Enhancement Project,
- c. Fuel Tracking System Project, and
- d. Physical Access Security System Project.
- e. UNIX Scheduler Software

The E-Business Planning and Design Project, when complete, will lay out a road map for the department to complete the implementation of the e-strategy. This will include business transformation, organizational change and technological enhancements and development. The department intends to submit an expansion budget request in support of the implementation phases for the next biennium. The PDP phase is scheduled for completion by November 30, 2006. The vendor is scheduled to provide a budget estimate during the first week of October for implementation projects. The PDP phase cost is being covered by the agency operating budget. The final deliverable of this planning project will be an implementation plan, which will likely recommend multiple projects over 4-7 years. The sponsor team for this project, which meets weekly, consists of the Deputy Secretary, three Assistant Secretaries (including the CIO) and the Chief Financial Officer.

The ACES/OFP Enhancement Project is scheduled for a mid-2007 implementation. This project has several key components. The ACES application will provide the “fine grain” authentication layer for DOR’s A&A requirements and will use the “course grain” authorization provided by NCID. The project will enhance the current functionality of many of the existing OFP functions to allow for more robust payment and inquiry functionality. Once completed, the ACH-Debit capability of the Department’s existing EFT system will be replaced by OFP. This will allow DOR to terminate a very expensive external contract for processing electronic tax payments. The funding for this project is provided from the current operating budget and no additional funding is required. The sponsor team for this project consists of the Deputy Secretary, three Assistant Secretaries (including the CIO) and the Chief Financial Officer. The CIO meets weekly with the project manager and reports directly to the executive staff.

The Fuel Tracking System Project has been underway since March 2005 and was originally scheduled for an early 2006 implementation. This is a COTS software deployment with two main components: Online Filing and Cross-tracking Reporting. Due to code defects from the vendor, the Online Filing

module remained in system testing and acceptance testing for nearly a year beyond the original plan. Production implementation is occurring as this document is under development and targeted for October 2, 2006. Because of the contract terms, the vendor has not been paid for any services under this contract. The first payment will be made when the module is successfully implemented into production. The Cross-Tracking Reporting module has been delivered and system testing will begin immediately after implementation of the Online Filing module. While this project is behind schedule, the costs to the vendor have remained at the original contract amount. This project has the direct weekly involvement of the Deputy Secretary and two Assistant Secretaries to ensure that the project obtains the appropriate level of agency attention. Additionally, the Deputy Secretary has routine communications with the vendor vice president.

The Physical Access Security System has just been initiated to replace the card access system that secures the Wilmington Street, Rock Quarry Road and Rocky Mount (TACC) office locations. The current system is obsolete and no longer supported. The funding for this project was provided in the FY06-07 expansion budget and recurring operational costs will be covered by the existing departmental budget. The Director of Security and the Assistant Secretary for Information Technology (CIO) serve as the project sponsors and meet weekly with the project manager.

The UNIX Scheduler Software project consists of the purchase and installation of packaged software that will allow more robust batch scheduling and monitoring for our e-business and client server application environment. Prior to this purchase, systems programmers were using rudimentary scripting tools with limited flexibility. With the complexity of the environment increasing as a result of our strategic direction, a more flexible and mature tool is needed. This effort has been delayed due to other more mission critical requirements related to the above projects and daily operational support but continues to make steady progress. The project oversight is managed by the director of the Technology Services Division and reports to the Deputy CIO.

## Applications

DOR has 12 applications in its portfolio. Following is an alphabetical list with the anticipated action for these applications for the next biennium.

Accounts Receivable	Retain. No plans for significant change until ITAS is replaced. Normal maintenance.
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Bankruptcy	Retain. No plans for significant change until ITAS is replaced, if then. Normal maintenance.
Data Capture	Retain. No plans to change beyond normal maintenance.
ELF (Individual Income)	Retain. No plans for change beyond normal annual maintenance
EFT (ACH Debit)	Replace mid-2007 with OFP Enhancements (see above)
IFTA Internet	Retain. No plans for change beyond normal annual maintenance. Once ACES is implemented, application will be modified to use new authentication standards.
ITAS	Begin replacement planning 2007. Anticipate full replacement by 2011. Normal annual maintenance and modifications until then.
JETS	Retain. Will likely be replaced when ITAS is replaced.
OFP	Currently under enhancement. Will continue to expand as e-services expand.
RCA	Retain. No plans to change until ITAS is replaced, Normal maintenance.
TACC	Retain. No significant plans for enhancements.
USUB	Retain. No plans to consider significant change until ITAS is replaced. Normal maintenance and some functional enhancements.

## Infrastructure assets

The desktop hardware environment in the agency is within acceptable "currency". The department has a refresh plan to maintain all desktop hardware so that it is no more than 4 years old. We are in the process of converting our Win 2K operating system to XP and should have that effort completed by 12/31/06. We operate an AIX client server environment on consolidated servers, whenever possible. Previously, we ran Sun/Solaris but have all but eliminated this operating system. We are also utilizing Linux where possible. The agency has significant SAN storage and is utilizing the SAN for nearly all storage requirements, including network storage, database storage, email storage, etc. The agency has a relatively robust network infrastructure that allows for approximately 350 of our employees to utilize

VoIP for telephone services. This includes our Taxpayer Assistance and Collection Center in Rocky Mount. The network and hardware environment was recently assessed by an outside firm (Symantec) for security vulnerability. While there are some actions that can be taken to strengthen the network, the overall assessment was that the network was well protected from external penetration. One key finding, already known by the agency, is that stronger network monitoring tools would be beneficial. If operating funds are available, this may be acquired later this physical year.

The web hosting environment, as stated above, is AIX. Further expansion of the hardware environment is planned to better support the expanding business requirements. It is not anticipated that additional funds beyond those in our operating budget will be necessary. The current hardware is less than 3 years old and under maintenance.

DOR IT policy is to have support and maintenance on all hardware being used for current functional activities. Only hardware that may be set aside for internal IT testing or low risk functions are considered for no maintenance based on cost effectiveness and risk of replacement.

## **Operations/IT management**

The current operations/IT management practices of DOR are solid. The funding provided in prior years has helped the agency gain a solid footing for both desktop and client server hardware architecture and infrastructure. The key area that the agency is working on is the business continuity/disaster recovery plans. During the remainder of this fiscal year, plans will be developed that cost out a disaster recovery plan for our client server and network operations. Future funding for this initiative will be needed.

The project management skills in the agency continue to grow. This is not an area of concern specifically, but resource limitations and a continuing increase in the number of projects requiring project management oversight necessitates that external resources be utilized more that would be optimal. DOR has an EPMO organization external to IT that oversees key agency enterprise initiatives. However, IT still needs project managers to coordinate IT activities and to manage smaller projects that the EPMO cannot take on. We are realigning vacant positions where practical to handle this need.

Applications management, infrastructure asset management, and internal agency consolidation are not issues for DOR. The limited number of different applications operated by DOR makes applications management a non-issue. The vast majority of our functional processing, probably as much as 95%, is handled by one application, ITAS. We look forward to a more robust asset management tool but we currently have a process (though laborious) that



coordinates asset tracking with our Financial Services Division and minimally meets our needs. IT operations in DOR are already consolidated. All purchases, funding, etc. for IT needs must be approved by the agency Chief Information Officer and this practice is supported by the Secretary, Deputy Secretary and Chief Financial Officer. Though funding is necessarily dispersed throughout multiple budget funds based on legislative direction, the IT funds are treated and controlled from a consolidated perspective. The organizational difference with DOR is that the EPMO and Security are not part of the IT organization. However, the only funds expended by these organizations are personnel costs. Other expenses for hardware, software, etc. are contained within the IT budget.

Procurement of IT services is generally managed by the agency CIO in concert with the Senior Staff Operational Subgroup (SSOS), consisting of the Deputy Secretary, CIO, other agency assistant secretaries and the Chief Financial Officer. Internal purchasing staff perform the mechanical duties under direction, primarily, from the CIO. This is an area of limited knowledge and experience within the agency. However, because of the limited number of procurements that require this level of knowledge, it is a difficult skill to enhance. Vendor management skills are stronger within the agency and are strong assets of the IT leadership and the EPMO, as well as the agency executive leadership. We feel we have a strong track record concerning vendor and contract management.

As mentioned, Security operates external to IT. However, there is a close working relationship between the organizations. Security has the responsibility for defining the policies and requirements and IT has the responsibility for determining how to meet those policies and requirements. DOR has always placed a tremendous emphasis on both IT and physical security due to the nature and sensitivity of our business operations. While there is always room for improvement, there are no significant issues at this time, beyond limited resources in Security to perform all of the critical IT related functions.

## **Human resources**

By the end of FY06-07, DOR will have eliminated all of its long-term contractors, through funding of positions in the continuation budget or through the conversion of contractor funds to salary/benefits approved by OSBM. Also, DOR has received additional positions in recent years to support IT. No significant requests for more positions are anticipated in the short-term. However, there is a continuing problem with salaries for current employees and the ability to hire external employees with the available funds, and subsequent inequity problems that arise. Salary reserve within DOR is extremely limited and there are a vast number of needs on the table for

consideration of the funds. While IT gets a reasonable share, the needs within IT far outweigh the availability. The current shortfall to bring employees within 10% of market is in excess of \$500,000. We have lost several current employees to other state agencies and other private concerns within the past year. We have also had difficulty recruiting the level of skill set needed to support our e-business strategy with the funds available. Many of the current 20 vacant IT positions are not funded at the market salary.

Though the department is eliminating the long-term contractors, there will be a continuing need for supplemental staffing. The current six month limitation on that contract has necessitated utilizing the technical services contract, which has been burdensome when only one resource is required. Most of the work being performed by supplemental staffing does not have the type of deliverable based definition that this vehicle requires, so much time is spent trying to fit the square peg in the round hole. A more practical solution is needed.

Training opportunities have improved over the past couple of years, as funding has become more available. An area of opportunity would be to provide more training that is an agency-shared expense. Example, DOR recently needed to have several people trained on RACF. The cost of the class for one student was \$1999, plus travel to a location such as Washington, DC. DOR was able to coordinate bringing the class to Raleigh that had 30 students from a wide cross section of agencies attend and provide a per student cost of less than \$700. Given the cost of technical training, we need to leverage more opportunities like this. It can be time consuming to perform this type of coordination and it would appear that ITS is in a prime position to provide this type of coordination.

## **Chapter 3 - IT Specific Economic-Driven Requirements or Opportunities**

DOR has already done a significant amount of standardization and consolidation of assets. The critical needs going forward are having sufficient (in numbers and training) staff to meet the ever- increasing demand on IT services. The IT staff at DOR, for the most part, is of good quality. As we anticipate a shift in need from mainframe skills to java and web skills, most employees will be able to make the transition. Some will have difficulty. The decision made by the department regarding the future of ITAS will be key to what efforts are necessary to retool the staff.

## Chapter 4 - IT Initiatives Developed From and Aligning With Plan Drivers

The E-Business Strategy Implementation is the primary initiative for the department over the next few years. Therefore it is the only initiative reported. It is a work in progress and more specifics will be available in the coming months.

The primary initiative for the department over the next 4 years will be the implementation of the E-Business Strategy, as explained above. This will include, but will not necessarily be limited to, expanded web services, secure communications with taxpayers, enhanced IVR services, enterprise data warehouse capability, enhanced case management, customer relationship management, and ITAS replacement. Initiatives at the individual project level have not been defined but will be laid out in the final deliverable of the current planning project.

This initiative is in direct support of the agencies business strategy, which is e-business. The business goals of this endeavor are to position DOR as the top revenue agency in the country, utilizing technology to continuously find innovative ways to increase efficiency and productivity, and to allow taxpayers interacting with DOR to do business with us anytime and anywhere.

If funding is provided, DOR will begin this implementation initiative in FY07-08. The full implementation will likely take 4-6 years.

This initiative is THE initiative for DOR for the coming years. All IT efforts will be tied, directly or indirectly, to the strategy. While some minor operational projects, unknown at this time, may continue in parallel with this effort, it will only occur if legislatively mandated or resources are not specifically required by the e-strategy efforts.

DOR believes that it is operating in concert with the State CIO's IT Plan. The IT operations within DOR are consolidated. Shared and consolidated hardware environments are utilized to the maximum degree possible. Enterprise services provided by ITS are also used whenever applicable, i.e. CPS and NCID. DOR has a solid agency strategic plan and a comprehensive e-business strategy. Given that the Secretary of Revenue has dictated that "our business is e-business", the e-business strategy is driving IT within DOR.

DOR has a strong EPMO and IT project management staff. All projects that meet the thresholds are reported using the UMT tool and DOR activity participate in the ITS EPMO work group.

We have a clear direction for our application portfolio and all applications are in good operational shape for the foreseeable future.

DOR actively participates on many statewide initiatives, most notably the TPG and the NCID workgroup.

DOR has sent its entire management level staff through ITIL training. This includes the CIO, Deputy CIO, four directors, and four managers. The Director of Customer Support and Analysis is working closely with ITS staff to implement many of the incident management practices at DOR and to implement iWise as the incident tracking system for DOR.

The agency is a proponent of enterprise services and utilizes these services whenever it is in the best interest of the operating business of DOR.

The e-business strategy implementation initiative will be no different. We anticipate continuing the use of CPS and NCID. We intend to work closely with the BEACON project relative to the enterprise data warehouse opportunities and we will leverage any other enterprise service that facilitate implementation of this initiative.

The funding model for this initiative is under development. The agency has stated that it anticipates spending in the neighborhood of \$50 M in the coming years. The final determination and breakdown of costs are not available at this time but will be provided in the expansion budget request from the department. All of the funding will be state appropriations with the vast majority being one-time funds. However, some degree of recurring funds will be needed for maintenance on hardware and software. Though not beyond possibility, it is not anticipated that additional permanent staffing will be requested. Funding will provide hardware, software, COTS software, integration services, consulting services (such as BPR), and training,

A full implementation and 5-year O&M will be provided through the expansion budget process in October.